

## Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 ARA-11 EURE-00 SS-15 L-03 H-02

NSC-10 AGR-20 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 NEA-10 NSAE-00 RSC-01 OPIC-12

TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 RSR-01

PA-03 PRS-01 USIA-12 OIC-04 TAR-02 /220 W

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P R 191226 Z JUN 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 1994

INFO USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 07061

PASS STR

E. O. 11652: XGDS

TAGS: ETRD, GATT, US, UK

SUBJECT: DOLLAR AREA QUOTAS ( DAQ' S)

REF: OECD PARIS 16012; GENEVA 2925

1. M. J. E. FRETWELL, HEAD OF TRADE POLICY DEPARTMENT AT FCO, HAS GIVEN US COPY OF DRAFT AIDE MEMOIRE FCO INTENDS INSTRUCT BRITISH EMBASSY DELIVER IN WASHINGTON. BEFORE SENDING INSTRUCTIONS, HOWEVER, FCO WANTS TO BE SURE THAT WE ARE IN COMPLETE AGREEMENT ON SUBSTANCE OF ARRANGEMENT WORKED OUT IN PARIS JUNE 8. WE HAVE EXAMINED AIDE MEMOIRE AND BELIEVE IT ACCURATELY REFLECTS JUNE 8 AGREEMENT WITH EXCEPTION OF DAQ ON CIGARS. WE UNDERSTOOD QUOTA WOULD BE DOUBLED IN EACH OF NEXT TWO QUOTA PERIODS, WHEREAS DRAFT STATES THEY WILL BE " SUBSTANTIALLY ENLARGED." FOLLOWING IS TEXT OF DRAFT:

"1. THE BRITISH EMBASSY HAVE BEEN INSTRUCTED  
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TO CONFIRM TO THE OFFICE OF THE SPECIAL TRADE  
REPRESENTATIVE THE AGREEMENT WHICH WAS REACHED  
IN TALKS BETWEEN BRITISH AND UNITED STATES  
REPRESENTATIVES ON 8 JUNE ON THE SUBJECT OF  
DOLLAR AREA QUOTAS.

"2. ON THE UNDERSTANDING THAT THIS WILL  
PROVIDE A SETTLEMENT OF THE PROBLEM WHICH IS  
ACCEPTABLE TO THE GOVERNMENT OF THE UNITED  
STATES, THE BRITISH GOVERNMENT CONFIRM THAT:-

A) THE QUOTA ON RUM WILL BE SUBSTANTIALLY  
ENLARGED IN EACH OF THE QUOTA YEARS 1975/76  
AND 1976/77 AND WILL BE TERMINATED IN 1977.

B) THE QUOTAS ON FRESH AND FROZEN GRAPEFRUIT,  
CANNED GRAPEFRUIT AND ORANGE AND GRAPEFRUIT  
JUICES WILL BE TERMINATED AT THE END OF THE  
RELEVANT QUOTA YEARS IN 1975.

C) THE QUOTA ON CIGARS WILL BE SUBSTANTIALLY  
ENLARGED IN EACH OF THE 1974 AND 1975 QUOTA  
YEARS AND WILL BE TERMINATED IN 1975.

"3. THE BRITISH GOVERNMENT UNDERSTAND  
THAT IT IS THE INTENTION OF THE UNITED STATES  
GOVERNMENT TO REVERT LATER IN THE YEAR TO  
THE QUESTION OF FRESH GRAPEFRUIT AND AGREE  
THAT IN THE MEANTIME BOTH GOVERNMENTS WILL  
CONSIDER FURTHER THE RELEVANT ECONOMIC  
FACTORS.

"4. THE UNITED STATES GOVERNMENT ARE  
REQUESTED TO CONFIRM THAT THE ABOVE REPRESENTS  
AN ACCEPTABLE SETTLEMENT OF THE QUESTION OF  
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FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 1995

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 07061

DOLLAR AREA QUOTAS AND THAT THE UNITED STATES WILL NOW INFORM THE CONTRACTING PARTIES TO THE GATT THAT THE MATTER HAS BEEN SETTLED BY BILATERAL CONSULTATION."

2. FRETWELL TOLD US THAT BRITISH MEETING WITH CARIBBEANS SCHEDULED FOR JUNE 14 HAD BEEN POSTPONED ONE DAY AT REQUEST OF CARIBBEANS WHO MUSTERED FORCES TO CALL ON LORD BALNIEL, MINISTER OF STATE AT FCO, AS A GROUP JUNE 15 TO PRESENT THEIR CASE IN FAVOR OF DAQ' S. LORD BALNIEL INFORMED THEM OF OFFER TO USG ON ELIMINATION OF DAQ' S. AT THEIR INSISTENT PRESSURING, HOWEVER HE WAS OBLIGED TO AGREE TO RECEIVING FURTHER REPRESENTATIONS FROM THEM INDIVIDUALLY AND FROM CARIFTA. FETWELL ESTIMATES THAT THIS WILL TAKE ANOTHER WEEK OR SO. AFTER A DECENT INTERVAL LORD BALNIEL WILL INFORM THEM THAT THEIR ADDITIONAL ARGUMENTS HAVE BEEN CAREFULLY CONSIDERED, BUT THAT HMG MUST CARRY OUT THE AGREEMENT IT HAS REACHED WITH USG. IN MEANTIME, FCO WILL GO AHEAD WITH AID MEMOIRE TO USG.

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3. FRETWELL ALSO NOTED THAT GATT PANEL HAS ASKED US AND UK REPS TO APPEAR BEFORE IT ON JUNE 20. BRITISH REP HAS BEEN INSTRUCTED TO WORK CLOSELY WITH HIS US COUNTERPART AND TO INFORM PANEL THAT THE TWO PARTIES CONCERNED HAVE WORKED OUT AGREEMENT. FRETWELL SUSPECTS THAT CARIBBEANS HAVE INSTIGATED THIS AS LAST DITCH ATTEMPT TO USE PANEL TO PREVENT US AND UK FROM CARRYING THROUGH WITH AGREEMENT.

4. ACTION REQUESTED: PLEASE ADVISE SOONEST WHETHER AIDE MEMOIRE ABOVE IS ACCEPTABLE. FCO WISHES DELIVER IT WITHOUT FURTHER DELAY.

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\*\*\* Current Classification \*\*\* CONFIDENTIAL

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